

**BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2014-346-WS**

IN RE:

Application of Daufuskie Island Utility)
Company, Inc. for Approval of an)
Adjustment for Water and Sewer Rates,)
Terms and Conditions.)
_____)

AFFIDAVIT OF
JOHN F. GUASTELLA

Personally appeared before me John F. Guastella, who being duly sworn, testifies as follows:

My name is John F. Guastella.

I offer this Affidavit as testimony, under oath and under penalty of perjury, stating and affirming that I have personal knowledge of the facts set forth herein, that I am competent to testify to the matters set forth herein, and that all statements included herein are truthful and accurate.

I am President of Guastella Associates, LLC ("Guastella").

Guastella is the manager of Daufuskie Island Utility Company, Inc. ("DIUC").

Guastella has been the manager of DIUC since July 9, 2008. I have served as the President of Guastella throughout this period and I have been personally involved the day-to-day operations as well as the management activities and decisions of DIUC.

In addition to my work with DIUC, I provide consulting service to utilities around the country with respect to rate setting, valuation and appraisals, and utility management. In my career I have worked with utilities in some 30 states and have been qualified to testify as an expert in 23 states.

As President of Guastella, the manager of DIUC, I am the custodian of the records of DIUC. The documents attached to this Affidavit are business records kept in the course of DIUC's regularly conducted business activity, and each is maintained in the regular practice of the business of DIUC. Each document attached hereto is the original or an exact duplicate of the original.

DIUC is a "public utility" under the terms of S.C. Code Ann. §58-5-10(4), and is subject to the regulatory jurisdiction of the Public Service Commission of South Carolina ("PSC").

DIUC is authorized by the Public Service Commission of South Carolina to be the exclusive provider of water and wastewater services to a service area that encompasses Daufuskie Island, South Carolina.

The rates and amounts DIUC charges its customers are regulated by and subject to the approval of the Public Service Commission of South Carolina ("the Commission").

On June 9, 2015, DIUC applied for approval of a new schedule of rates and charges for water and sewer service ("the Application").

On October 28, 2015, the Commission conducted its hearing on DIUC's Application.

On December 8, 2015, the Commission entered its decision, docketed as Order No. 2015-846, ruling on DIUC's application. Order 2015-846 rejected revenue calculations requested by DIUC and, instead, approved significantly lower rates under which DIUC could not continue operations. In round numbers, DIUC applied for a 108% increase and Order 2015-846 only allowed a 43% increase in DIUC's rates.

DIUC appealed the Order and implemented its proposed rates pursuant to a bond approved by the Commission in accordance with S.C. Code § 58-2-240(D).

The term of the first bond was from July 1, 2016 to June 30, 2017. Because the Supreme Court appeal was still pending, the existing bond was renewed to continue in effect for an additional period of six months to expire on January 1, 2018. An additional surety bond was obtained for rates collected during six months beginning on July 1, 2017 and expiring on December 31, 2017. The premiums and banking charges paid by DIUC for these bonds total in excess of \$60,000.

In July of 2017, DIUC was unable to obtain bond renewals and additional bonds on its own. The bonding company ultimately agreed to issue the bonds if SunTrust Bank provided a letter of credit (LOC) for the last bonds. SunTrust would not provide the LOC until DIUC was able to convince one of its owners to personally secure the SunTrust letter with the transfer of certain deposits.

Pursuant to Order No. 2017-59-H recently issued in this case, the schedule for rehearing and conclusion of this case will extend into 2018. Under this schedule, DIUC will need another extension of the existing bonds, which are now at a total of \$1,203,595 and which expire on December 31, 2017. DIUC would have to have in place a renewal of the \$1,203,595 plus another \$430,042 for the next six months, resulting in a total bonded amount of \$1,633,637, including interest.

The personal funds used to secure the SunTrust LOC will no longer be available after December 31, 2017, when the current bonds expire. Without that LOC and due to the fact that the amount at issue will increase even more from \$1,203,595 to \$1,633,637, I cannot foresee any way that DIUC can obtain bonds after December 31, 2017.

I have specifically attempted to obtain bonds by contacting Danny Sellers of Insurance Office of America. Mr. Sellers assisted with all the previous bonds required for this case and was the only agent who was able to successfully obtain the bonds for DIUC.

Via email dated October 13, 2017, I inquired whether Mr. Sellers “could obtain a bond or bonds for the extension and additional amount totaling the \$1,633,637, and if [he] could, would another letter of credit be required.” See Attachment A.

A telephone conversation with Mr. Sellers on October 13, 2017, and exchange of emails confirms that he cannot secure issuance of another bond for DIUC. As Mr. Sellers explained, the previous bond amount “was the maximum allowed from the Surety.” See Attachment A.

When DIUC obtained the most recent bonds, a letter of credit (“LOC”) was also required. Anticipating this need, I contacted Carol Coppola, Vice President of SunTrust, to discuss the possibility of providing another LOC. See Attachment B. As indicated by Ms. Coppola’s response, SunTrust is not willing to issue any additional credit to DIUC until the current rate case is resolved. Id.

DIUC is not able to renew its existing bonds or obtain additional bonds for rates charged after December 31, 2017. This fact is demonstrated DIUC’s recent efforts and my experience in attempting to secure previous bonds.

Because of the impossibility of obtaining bonds and the threat to DIUC if it not allowed to collect rates greater than those allowed by Order 2015-846, DIUC requires this matter be set for hearing as soon as possible so that a decision could be issued by the Commission prior to December 31, 2017.

Further Affiant sayeth not.

[Signature Page to Follow.]

John F. Guastella
John F. Guastella

10/16/17
Date

PAUM BUCH FL
County and State

John F. Guastella did personally appear before me,
was duly sworn under oath and under penalty of perjury,
and did execute this Affidavit in my presence.

SWORN before me this 16th day of OCTOBER, 2017.

Edward Ezzard
Notary Public for the State of Florida

My Commission Expires: 07-30-2021

